

CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

First BanCorp.

Point of Contact:	Sara Alvarez	RSSD: (For Bank Holding Companies)	2744894
UST Sequence Number:	368	Docket Number: (For Thrift Holding Companies)	N/A
CPP/CDCI Funds Received:	400,000,000	FDIC Certificate Number: (For Depository Institutions)	30387
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	N/A
Date Funded (first funding):	January 16, 2009	City:	San Juan
Date Repaid ¹ :	N/A	State:	Puerto Rico

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

In general, we used the capital to serve as a source of financial strength to its subsidiary bank. This entailed further capitalizing the subsidiary bank for purposes of their continued business growth in Puerto Rico, the Virgin Islands and Florida, in accordance with its business and capital plan.

CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

First BanCorp.

☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

Funds mainly supported an increase in commercial loans. During 2009, commercial loan production as compared to a pre-TARP baseline budget was higher by approx. \$1.5 billion. The increase is mainly composed of approx. \$1.7 billion in loan facilities to the government of P.R. and U.S.V.I.

☐ **Increase securities purchased (ABS, MBS, etc.).**

☐ **Make other investments.**

CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

First BanCorp.

☒ **Increase reserves for non-performing assets.**

Funds also enabled the Corporation to cover for additional reserve requirements which resulted from the continued deterioration in the economy. At 12/31/2008 the allowance for loan and lease losses increased from \$282MM to \$528MM at 12/31/09 and \$553M at 12/31/10.

☐ **Reduce borrowings.**

☐ **Increase charge-offs.**

CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION
(Include Holding Company Where Applicable)

First BanCorp.

<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution.
--------------------------	-----------------------------------------------------------------------------------------------

<input type="checkbox"/>	Held as non-leveraged increase to total capital.
--------------------------	--------------------------------------------------

CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION
(Include Holding Company Where Applicable)

First BanCorp.

What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

Please refer to responses included below with respect to actions taken as a result the capital infusion of CPP funds.

CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

First BanCorp.

What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

The adverse economic conditions have negatively affected our capital position and reduced our profitability, particularly as a result of the dramatic reductions in the underlying collateral values of real estate for our secured loans. Since the beginning of 2009, we have taken a number of steps to enable us to emerge from the current adverse economic conditions as a stronger organization. The Corporation has used TARP Capital Purchase Program funds to support loan modifications and loss mitigation initiatives; these include the Corporation's loss mitigation mortgage refinance program, the Corporation's program to stimulate sales of property inventory on new construction projects and the Corporation's workout initiatives. The TARP Capital Purchase Program funds have also enabled the Corporation to sustain capital ratios in excess of the minimum capital ratios required for a "well-capitalized" depository institution. Given that most of our business is in Puerto Rico and the United States and given the degree of interrelation between Puerto Rico's economy and that of the United States, we are exposed to downturns in the U.S. economy. Dramatic declines in the U.S. housing market over the past few years, with falling home prices and increasing foreclosures, unemployment and under-employment, have negatively impacted the credit performance of mortgage loans, credit default swaps and other derivatives of cash securities, and resulted in significant write-downs of asset values. These write-downs have caused us to seek additional capital from private entities, hence, since the capital infusion of CPP funds on October 7, 2011 the Corporation raised \$525 million in new capital from institutional investors.

CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

First BanCorp.

Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

Please refer to responses provided above, there are no further actions to be described herein.